



News Release

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**IRS Provides Additional Guidance on Tax Relief
for Cerro Grande Fire Victims**

Phoenix – The Internal Revenue Service provided additional guidance on tax relief for people affected by the Cerro Grande fire. This fire resulted in federal tax relief, including an extension to file and pay for affected taxpayers, whether they file electronically or on paper.

Affected taxpayers, who file paper forms or returns, are to write the words, "Cerro Grande Fire," in RED at the top left margin of any form or return they file. For individuals filing electronically, they should make this same notation in RED in the top margin of Form 8453-OL.

If using a tax professional, people should make certain this person writes, "Cerro Grande Fire," in RED at the top left margin of any form or return filed. This applies to the Form 8453 if filing electronically through the tax professional and Form 1040-V if making a payment.

Individuals living in the disaster area have until Jan. 16, 2002 to file and pay their income tax for 2000, without interest or penalties on the balance due. Individuals who are due a refund should file as soon as possible, including filing electronically, to expedite their tax relief. However, IRS electronic filing is only available until Oct. 15, 2001.

If, after filing, an individual receives correspondence from the IRS, he should contact the IRS by calling the telephone number on the correspondence or toll-free at 1-800-829-1040. The individual may be asked to verify his eligibility and/or fax his correspondence with the notation, "Cerro Grande Fire," in its top left margin.

Affected taxpayers are generally those whose principal residence or place of business is located in one of the 21 counties in this federal disaster area: Bernalillo, Chaves, Cibola, DeBaca, Dona Ana, Eddy, Guadalupe, Lincoln, Los Alamos, McKinley, Mora, Otero, Rio Arriba, San Juan, San Miguel, Sandoval, Santa Fe, Sierra, Socorro, Taos and Torrance.

Additional guidance is summarized in the attached series of questions and answers. The IRS continues to offer tax help regarding this disaster through its Cerro Grande Tax Information Hotline at 505-837-5501 in Albuquerque or 505-661-8235 in Los Alamos.

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Questions & Answers: Procedural Aspects of Cerro Grande Disaster Relief

These Questions and Answers supplement Notice 2001-30, 2001-14 I.R.B. 989 (April 2, 2001). Because of the variety of different situations for which relief is granted and the broad scope of the relief, not every factual situation can be programmed into the IRS's computers. Therefore, if you believe that you have received a notice in error, or that the amount of any penalty or interest has been calculated incorrectly, please contact the number on the notice and inform the customer service representative in order to resolve your issue. In addition, please write "Cerro Grande Fire" in red ink on documents not yet filed with the IRS that were required to be filed on or after May 4, 2000, and on or before April 16, 2001.

Q1. When is my 2000 tax return due?

The time for filing income tax returns for tax year 2000 by an individual with his or her principal residence in 21 specified counties in New Mexico has been extended by Notice 2001-30. These returns would ordinarily be due on or before April 16, 2001 (April 15, 2001, is a Sunday), but are now due on or before Wednesday, January 16, 2002. In addition, Notice 2001-30 extended the time to pay the tax (or installment of tax) shown or required to be shown on these returns until January 16, 2002. Underpayment interest and penalties will not be due on a payment of income tax made on or before January 16, 2002.

The time for filing returns other than individual income tax returns by taxpayers in the 21 specified counties in New Mexico has also been extended by Notice 2001-30. This extension applies to returns required to be filed on or after May 4, 2000, and on or before April 16, 2001. The extension is for six months plus 90 days. The affected returns include corporation income tax returns, partnership returns, estate and trust income tax returns, annual returns filed by tax-exempt organizations, estate and gift tax returns, certain excise tax returns, and employment tax returns. Therefore, a calendar year corporation income tax return for tax year 2000 originally due on or before March 15, 2001, is timely if filed on or before Thursday, December 13, 2001.

In addition, Notice 2001-30 extended the time to pay the tax (or installment of tax) shown or required to be shown on these returns until the new due date. Underpayment interest and penalties will not be due on a payment of income tax made on or before the new due date. Penalties will not be due on a payment of tax other than income tax made on or before the new due date. However, underpayment interest will be due on a payment of tax other than income tax made after the original due date.

Q2. Do I have to file any form to let the Service know I intend to delay filing my 2000 return and paying my 2000 taxes?

No forms need to be filed for the extension of time to file and pay. Notice 2001-30 has already granted the full six month extension of time to file under section 6081 and to pay under section 6161 and an additional 90 days of relief has been provided under section 7508A and section 301.7508A-1. If a four-month extension to August 15, 2001 has already been requested, no further filing is necessary to receive the additional two-month extension and the 90-day postponement allowed. When you file your return on or before the extended due date you should mark in red ink the words "Cerro Grande Fire" on the top of the return. In this way the Service will know that you are taking advantage of the relief granted by Notice 2001-30.

Q3. What is the extended due date for my return and my payment?

All covered returns have a six-month extension of time to file under section 6081, a six-month extension of time to pay under section 6161, and a 90-day postponement under section 7508A. Individual income tax returns for tax year 2000 originally due on or before April 16, 2001, are now due on or before January 16, 2002. The payment of any tax (or installment of tax) shown or required to be shown on the return is also extended and

postponed until January 16, 2002. Although taxpayers are allowed to postpone the payment of tax until January 16, 2002, this does not mean that the Service is obligated to return to the taxpayer amounts paid before that date.

Calendar year corporation income tax returns (and associated payments) originally due on or before March 15, 2001, are now due on or before December 13, 2001. The extension and postponement also apply to fiscal year returns (and associated payments). Therefore fiscal year corporation income tax returns are now due as provided in the table below.

Fiscal Year Ending	Original Due Date	Extended Due Date Under Notice 2001-30
January 31, 2001	April 16, 2001	January 16, 2002
December 31, 2000	March 15, 2001	December 13, 2001
November 30, 2000	February 15, 2001	November 16, 2001
October 31, 2000	January 16, 2001	October 16, 2001
September 30, 2000	December 15, 2000	September 17, 2001
August 31, 2000	November 15, 2000	August 13, 2001
July 31, 2000	October 16, 2000	July 16, 2001
June 30, 2000	September 15, 2000	June 14, 2001
May 31, 2000	August 15, 2000	May 14, 2001

Q4. If I have already filed my return, or wish to file it soon, can I still delay paying my tax until the extended due date?

Yes. The extension of time to pay under section 6161 is separate from the extension of time to file under section 6081. You should not receive any notice from the IRS regarding the payment indicated as due on the return. However, if you do, contact the number on the notice and inform the customer service representative that you qualify for the extension/postponement for paying your taxes under Notice 2001-30. See Q1 and Q6 for questions regarding any penalties or interest on the tax due.

Q5. Does Notice 2001-30 apply to my tax year 1999 individual income tax return that was extended to August 15, 2000, or to October 16, 2000?

A 1999 tax return on extension would qualify for partial relief under Notice 2001-30. A return extended to August 15, 2000 would qualify for an additional two-month extension of time to file until October 16, 2000 (October 15, 2000, is a Sunday), and a 90-day postponement of the time to file until January 16, 2001. Likewise, a return extended to October 16, 2000 would qualify for the 90-day postponement of time to file until January 16, 2001. If the 1999 return was filed on or before January 16, 2001, no addition to tax for failure to timely file (section 6651(a)(1) penalty) will be imposed.

However, no payment extension was granted for 1999 and thus payment of the tax is due on the regular due date for filing the 1999 return. Accordingly, the addition to tax for failure to timely pay the tax due (section 6651(a)(2) penalty) runs from April 16, 2000, until May 4, 2000, the date the fire started. A period of 90 days

from May 4, 2000, through August 1, 2000, is then disregarded under section 7508A and the addition to tax for failure to timely pay will not run during the 90-day period. However, the addition to tax for failure to timely pay will run from August 2, 2000, until the tax is ultimately paid or the maximum penalty is reached.

Underpayment interest accrues from April 16, 2000, until the tax is ultimately paid. There is no relief from underpayment interest under section 7508A. See section 7508A(b). Also, the section 6404(h) interest abatement rule applies only when there is both an extension of time to file and an extension of time to pay the tax. No extension of time to pay the 1999 tax was granted by Notice 2001-30 and thus section 6404(h) does not apply.

Q6. Under what circumstances will interest be abated?

Section 6404(h) provides that the IRS will abate the assessment of any interest under section 6601 on income tax for any period for which the IRS extends the time for filing income tax returns under section 6081 and the time for paying income tax with respect to those returns under section 6161 for any taxpayer located in a Presidentially declared disaster area. For this purpose, self-employment (SECA) tax is considered an income tax. Section 301.7508A-1(f) provides that the abatement of the assessment of interest under section 6404(h) will also apply to the period postponed under section 7508A. No other authority exists under the Internal Revenue Code for abating interest on taxes other than income tax in a disaster.

Q7. When must my principal residence (or principal place of business) be located in one of the affected counties in order to qualify for relief under Notice 2001-30?

If your principal residence was located in one of the affected counties at any time during the disaster period then you qualify for relief under Notice 2001-30 as an affected taxpayer. The disaster period runs from May 4, 2000, through April 16, 2001.

Similarly, the relief will apply to a business entity or sole proprietor whose principal place of business is located in one of the affected counties at any time during the disaster period.

Also, the relief is available to an estate or trust if it had tax records necessary to file a return or meet another deadline that were maintained in one of the affected counties at any time during the disaster period. See Treas. Reg. □ 301.7508A-1(d)(1) for a complete definition of “affected taxpayer.”

Q8. How does Notice 2001-30 affect the time for filing a claim for refund for calendar year 1997?

If the taxpayer filed a 1997 individual income tax return on or before April 15, 1998, a claim for refund or credit (Form 1040X) would normally have to be filed by April 16, 2001, in order to obtain a refund of withholding tax, estimated tax, or tax paid with the return. However, the filing of a claim for credit or refund is an act covered by section 301.7508A-1. Therefore, the Form 1040X will be timely under section 6511 if filed on or before July 16, 2001. Also, an original return (Form 1040) for 1997 may be filed as late as July 16, 2001, to claim a refund of withholding tax or estimated tax. When you file your Form 1040X or late filed original Form 1040 for 1997 on or before the extended due date you should mark in red ink the words “Cerro Grande Fire” on the top of the return. In this way the Service will know that you are taking advantage of the relief granted by Notice 2001-30.

Q9. If the return for 1996 was filed on extension, does Notice 2001-30 affect the time for filing for a claim for refund on Form 1040X?

Yes. If the 1996 return was timely filed on extension by August 15, 1997, or October 15, 1997, the last date for filing the Form 1040X would normally be August 15, 2000, or October 16, 2000. This is because the lookback period of section 6511(b)(2)(A) takes filing extensions into account. However, Notice 2001-30 postpones the

last date for filing the Form 1040X by an additional 90 days after August 15, 2000, or October 16, 2000. Thus, for returns timely filed on or before August 15, 1997, the last date for filing for a claim for refund is November 13, 2000; for returns timely filed on or before October 15, 1997, the last date for filing for a claim for refund is January 16, 2001.

Q10. Are deposits of employment taxes extended and postponed by Notice 2001-30?

No, deposits of employment taxes do not qualify for an extension of time to pay or the 90 day postponement under section 7508A (a deposit of tax required by section 6302 is different from a payment of tax with the return). Therefore, if you must deposit employment taxes, but do not timely make the deposits in accordance with section 6302 and the regulations thereunder, you may be subject to the failure to deposit penalty under section 6656. This penalty may be waived if you can show reasonable cause for not timely making the deposit. This will be evaluated on a case-by-case basis.

The time for filing employment tax returns and paying tax with the return (payment of tax is different from a deposit) is extended and postponed by Notice 2001-30. Therefore, no addition to tax for late filing or late paying will be assessed if the tax is paid and the return filed by the extended and postponed due date. However, interest will accrue from the original due date of the employment tax return determined without regard to postponement and extension. Section 6404(h) of the Code provides for the abatement of interest on income taxes only. See Q6.

Q11. How are estimated income tax payments for 2000 and 2001 of individuals, trusts, and estates affected by Notice 2001-30?

Individuals, trusts, and estates that are affected taxpayers will not owe an addition to tax for 2000 if at least one estimated tax payment was due on or after May 4, 2000. Thus, this relief does not apply to an estate whose fiscal year ended on or before March 31, 2000, because all of the estate's estimated tax payments for that year would have been due before May 4, 2000. Any estimated tax payment due prior to May 4, 2000 will be subject to the addition to tax that will run until May 4, 2000.

For calendar year taxpayers, the first estimated tax payment for 2001, originally due on or before April 16, 2001, is extended and postponed until January 16, 2002. No addition to tax for failure to make the first estimated tax payment for 2001 will be owed if the payment is made on or before January 16, 2002. For calendar year taxpayers, the final three estimated tax payments for 2001 are not extended or postponed in any way.

If an estimated tax penalty would otherwise be due for 2000, taxpayers affected by the relief given above may attach Form 2210 to the 2000 return to request a waiver of the estimated tax penalties for 2000. You should not receive any notice from the IRS regarding the estimated tax penalty. However, if you do, contact the number on the notice and inform the customer service representative that you qualify for the relief granted under Notice 2001-30. Similarly, when the 2001 return is filed, the taxpayer may attach Form 2210 to the 2001 return to request a waiver of the addition to tax otherwise due on required payments of estimated tax. Taxpayers should write in red ink the phrase "Cerro Grande Fire" on the top of these Forms 2210 and check the box for waiver of the penalty.

Q12. How are estimated income tax payments of corporations affected by Notice 2001-30?

For a calendar year corporation the final three estimated tax payments for tax year 2000 are extended for six months and postponed for 90 days. There will be no addition to tax owed for the failure to make these estimated tax payments by the original due date.

However, an addition to tax may be due with respect to the first estimated tax payment for 2000, for a calendar year corporation. The addition to tax for failure to timely make the first estimated tax payment for 2000 will run from April 16, 2000, until May 4, 2000, the date the fire started. A period of 90 days (ending on August 1, 2000) is then disregarded and the addition to tax does not run during this period. However, if the payment is not made, the addition to tax will run from August 2, 2000, until March 15, 2001, the due date of the corporation income tax return. Corporations do not qualify for the relief from additions to tax available to individuals, trusts, and estates under section 6654(e)(3). See Q11.

Furthermore, the first estimated tax payment for tax year 2001, originally due on or before April 16, 2001, is extended and postponed until January 16, 2002. No addition to tax for failure to make the first estimated tax payment for 2001 will be owed if the payment is made on or before January 16, 2002. However, the final three estimated tax payments for tax year 2001 are not extended or postponed because they are due after April 16, 2001.

Fiscal year corporations will not be subject to the addition to tax for failure to make an estimated tax payment due after May 4, 2000, and before April 16, 2001, as long as the payment is made by the extended and postponed due date (the extension is for 6 months and the postponement is for 90 days). Any estimated tax payment due prior to May 4, 2000 will be subject to the addition to tax that will run until May 4, 2000. A period of 90 days is then disregarded. The addition to tax will continue to run after the 90-day period if the payment is not made.

Q13. Are my contributions to qualified retirement plans and individual retirement accounts (IRAs) affected by Notice 2001-30?

In general, these contributions will qualify for relief under Notice 2001-30. However, the extent of the relief may vary depending on the particular provision of the Internal Revenue Code that applies. For example, a contribution to an individual retirement account (IRA) under section 219 of the Code must be made by the last date prescribed by law for filing the return, not including extensions. Therefore, such contributions will qualify for the 90-day postponement but will not receive the benefit of the 6-month extension to file the return. Thus, an IRA contribution otherwise due on April 16, 2001, may be postponed by 90 days to July 16, 2001 (July 15 is a Sunday). On the other hand, if the underlying Code section (e.g., sections 404(a)(6) (Pension Plans) and 404(h)(1)(B) (SEP Plans)) provides that the due date for making the contribution includes extensions of time to file, then a contribution for tax year 2000 otherwise due on a particular date will be timely if made 90 days and six months after such date.